

## Message Text

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11  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

ACDA-07 AID-05 IGA-02 TRSE-00 OMB-01 /074 W  
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R 031810Z DEC 76  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 3855  
INFO USMISSION NATO BRUSSELS  
AMEMBASSY ANKARA  
AMEMBASSY ATHENS  
AMEMBASSY NICOSIA  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
CINC EUR VAHINGEN  
USNMR SHAPE

C O N F I D E N T I A L BONN 20474

E.O. 11652: GDS  
TAGS: PARM, TU, GR, MASS, GW  
SUBJECT: PROSPECTIVE FRG ARMS SALES TO TURKEY

1. A FOREIGN OFFICE OFFICIAL HAS CONFIRMED NEWS REPORTS OF THIS PAST WEEK THAT GERMAN ARMS FIRMS PLAN TO SELL A SUBSTANTIAL AMOUNT OF MILITARY EQUIPMENT TO THE TURKS. THE OFFICIAL SAID THAT THE SALES WOULD AMOUNT TO APPROXIMATELY DM 1.4 BILLION. THE SALES PROGRAM CONSISTED OF THREE ELEMENTS: LEOPARD TANKS, MILAN ANTI-TANK ROCKETS AND THE DIESELIZATION OF M48'S. THE OFFICIAL DID NOT SAY HOW MANY LEOPARDS WERE INVOLVED, BUT NEWS REPORTS INDICATED THE NUMBER WAS 150.

2. THE PROSPECTIVE SALE IS NOT COMPLETELY CERTAIN YET BECAUSE OF TURKEY'S SHAKY CREDIT WORTHINESS. THE FRG WILL HAVE TO DECIDE WHETHER TO BACK THE COMMERCIAL BANK LOANS REQUIRED TO FINANCE THE PURCHASES THROUGH THE  
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HERMES FACILITIES.

3. THE OFFICIAL INDICATED THAT A CABINET-LEVEL DECISION WOULD PROBABLY BE REQUIRED, BUT THAT IT WAS NOT EXPECTED IN THE IMMEDIATE FUTURE. HE SAID FURTHER THAT THE FOREIGN AND DEFENSE MINISTRIES FAVOR FRG SUPPORT FOR THE LOANS WHEREAS THE ECONOMICS AND FINANCE MINISTRIES ARE AGAINST IT. THE PRINCIPAL SELLERS INVOLVED, KRAUSS-MAFFEI AND MTU, ARE EXPECTED TO MAKE A FORMAL APPLICATION FOR CREDIT VIA HERMES. ACCORDINGLY, IT MAY BE SOME TIME BEFORE THE FINAL DECISION IS BUCKED UP TO THE CABINET.

4. THE GREEKS HAVE REACTED TO THE PROSPECTIVE GERMAN-TURKISH DEAL VIA THE FRG AMBASSADOR IN ATHENS. THE OFFICIAL SAID THAT DEFMIN AVEROFF MENTIONED THE DEAL TO THE AMBASSADOR DURING THE COURSE OF A RECENT DISCUSSION. THE AMBASSADOR, IN TURN, REMINDED AVEROFF THAT THE GERMANS HAD ALSO PROVIDED FOUR SUBMARINES TO THE GREEKS VIA A SIMILAR CREDIT ARRANGEMENT. THE AMBASSADOR ALSO POINTED OUT THAT THE FRG INTENDED TO MAINTAIN A POLICY BALANCE BETWEEN TURKEY AND GREECE, AND THAT GREECE WAS ALSO WELCOME TO CONSIDER PURCHASING GERMAN ARMS.

5. COMMENT: THE PROSPECTIVE SALE TO TURKEY IS WITHIN FRG POLICY GUIDELINES REGARDING ARMS SALES ON A COMMERCIAL BASIS TO NATO ALLIES. THE GERMANS CONCEIVE OF THEIR GRANT AND COMMERCIAL ARMS ASSISTANCE TO TURKEY AS SUPPLEMENTARY TO THAT OF THE UNITED STATES. THE GERMANS INSIST THEY HAVE NO INTENTION OF REPLACING THE U.S. AS THE PRINCIPAL SUPPLIER. ALTHOUGH THE FINAL DECISION ON THE SALE HAS NOT YET BEEN TAKEN, WE ASSUME THAT THE FRG WILL DECIDE THAT POLITICAL CONSIDERATIONS IN FAVOR OF -THE TRANSACTION OUTWEIGH THE ECONOMIC DISADVANTAGES.  
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